

## Brexit: understanding the socio-economic origins and consequences

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## The Fault lines unveiled by Brexit

Jacqueline O'Reilly

While much reaction to the Brexit decision has been one of shock, others commentators said they saw it coming (Cohen 2016; Clarke et al. 2016; Boyer *this volume*). The Brexiters seemed pretty surprised themselves: fifty-four per cent of those who voted Leave hadn't expected to win (Lord Ashcroft Polls 2016). Perhaps the biggest shock was to the broken hubris of the British political establishment revealing the fractured nature of British business elites and the weakening of the existing social order over the past thirty years. (Morgan *this volume*).

As the results sank in, pandemonium broke out. As the only Prime Ministerial candidate left standing Theresa May stepped in. Brexit became a catalyst: releasing vitriolic feuds in the British Labour Party; resuscitating aspirations for a second Scottish Independence Referendum and worrying those involved in the Northern Ireland peace settlement. Despite claims that 'we should have seen this coming', no one could have predicted the dizzying levels of political bedlam and cluelessness that ensued (Wood and Wright *this volume*).

The antecedents for Brexit had been bubbling under the surface of British politics for a long time. David Cameron triggered the referendum as a means to contain the right wing margins of the Conservative Party and stem the rising tide of the 'people's army' of UKIP. Much to their own surprise the Conservatives won a majority in the 2015 General Election. The referendum promise, that had potentially been part of an anticipated coalition trade off, had now become a manifesto pledge.

It was an accident waiting to happen, according to Warhurst (*this volume*), and the result of a long-awaited crisis of extreme social polarisation according to Boyer (*this volume*). However, the heterogeneous coalition of Leave voters suggests other characteristics

contributed to this outcome (Grey *this volume*). Brexit revealed a very ugly face of xenophobia and violence that hadn't been visible for decades, witnessing the attack and subsequent death of the MP Jo Cox during the campaign and a rise in hate crimes since (NPCC 2016; Home Office 2016). The dominant issue is commonly assumed to be migration according to Le Galès and Frerichs and Sankari (*this volume*). While undoubtedly significant, evidence from Lord Ashcroft Polls (2016) cite 'gaining back control' was the primary motivation to vote Leave, even if ironically this is likely to increase the UK's economic vulnerability (Froud et al. *this volume*).

As predicted the value of sterling plummeted, alongside a worse than expected manufacturing slump (Khan 2016). The Bank of England injected £3.1bn into UK banks, ready to provide an additional £250 billion to backstop markets (Rodionova 2016); subsequently interest rates were cut to bolster the economy. Negative economic consequences will affect Germany, whose foreign trade with the UK amounted to over €89 billion in 2015, the UK being their third most important trading partner after the US and France (Statistisches Bundesamt 2016). Smaller more vulnerable countries dependent on trade with the UK, like the Irish Republic, have been described as the sitting in the passenger seat of the Brexit car-crash (Fingleton 2016). For many the prospects are bleak; for others this is an opportunity to create new economic and social institutions for the digital age (Colin 2016) and embolden progressive movements (Fazi 2016).

Looking for concepts to help us analyse and understand the causes and consequences of the Brexit vote I draw on some of the interpretations we made of the financial crisis of 2008, using the concept of 'fault lines' and the Polanyian concept of a double movement (O'Reilly et al. 2011). These concepts draw attention to the fractured coalitions supporting leave, and the extent to which this can be seen as a reaction to protect against the negative impacts of globalization and neo-liberalism.

### **Socio-economic Fault Lines**

The concept of 'fault lines' used by the economist Rajan (2010) identified deeply embedded flaws in the international system of financial regulation that caused the 2008 financial crisis. His seminal article *Has Financial Development Made the World Riskier?* (Rajan 2005) was the first to predict the financial crisis. He argued that accentuated risk taking by financial intermediaries had generated enormous wealth and access to finance. But this behaviour

exacerbated fluctuations: the risks taken made their organizations and subsequently private households financially more interdependent and vulnerable. Rajan (2010) proposed greater control and more prudent supervision was necessary so that 'market friendly' policies would reduce the incentives for intermediaries to take excessive risks. At the time he was ignored because government regulation of the sector was too closely tied to the interests of the large financial organizations benefitting from these risky and highly profitable transactions (Rajan, 2010: 180–81). David Cameron's political risk taking with a 'dash of Bullingdon hubris', and a series of unexpected outcomes, like winning the 2015 general election, has some parallels with the profile of a particularly powerful political class that Rajan identifies prior to the financial crisis.

But these elites have become increasingly fractured (Morgan *this volume*) and incapable of effective action (Wood and Wright *this volume*). Froud et al. suggest that '*multiple interconnected economies*' have generated splintered economic experiences. These cannot be simply read off in terms of a process of bifurcated class and immiseration, or the unappreciated effects of European investment to compensate for the fundamental shifts in the structure of employment (Warhurst *this volume*). These variegated distinctions and experiences are discussed by Grey (*this volume*) in terms of 'cosmopolitans' and 'locals'. Locals represent a '*contradictory coalition*' of communities combining '*elements of nationalist traditionalism with economic globalization*' cutting across traditional political divides. The Brexit referendum unveiled a growing disjuncture between a politically divided population and the institutions failing to represent and protect them.

## **The Referendum Results**

The Brexit 'fault lines' of political and social divisions cut across regions, generations, class and ethnic cleavages in a visibly disunited kingdom. The results have been well established and discussed (Ashcroft and Culwick 2016): Scotland voted Remain; Northern Ireland was divided, and England and Wales voted Leave. Support for Remain was strongest in the major cities of England and weakest in the provinces (BBC 2016a). Older voters were more likely to have voted Leave while nearly three quarters (73%) of 18 to 24 year-olds voted Remain; although a lot less young people turned out to vote. The university educated voted Remain and those who had left school at 18 or younger voted Leave. Most people with children aged ten or under voted Remain; while most of those with children aged 11 or older voted Leave. A majority of those working full- or part-time voted Remain; whereas most of those not

working, because they were unemployed, retired or 'inactive' voted Leave (Lord Ashcroft 2016). Leave voters were, as Grey points out, a motley coalition.

A frequently held interpretation has been that Remain voters lost in the traditional, disaffected and deindustrialised Labour heartlands of the North and amongst the working class. But Williams (2016) argues it wasn't quite as simple as that: most Leave voters, apart from London, were from the south. High proportions of Leave votes were registered in traditional industrial areas in the Midlands and the North East; but the highest proportion of Leave voters came from more rural locations and from the south-west and the south in general (BBC 2016a).

Nearly two thirds of manual workers (64%) voted Leave, and their voice was augmented by approximately half of the middle classes who also voted Leave; a majority of the professionals and managerial classes voted Remain (57%). Looking at housing characteristics of Leave voters illustrates this unusual 'contradictory coalition'. Those who owned their own home, without a mortgage (most probably older voters and the very rich), and two thirds of council and housing association tenants voted Leave; homeowners with a mortgage voted Remain (Lord Ashcroft 2016).

Gender divisions were not evident, but ethnic divisions were; and they were also fractured. White voters were slightly more likely to vote Leave (53%) than to vote Remain (47%). Two thirds (67%) of those describing themselves as Asian voted to remain, as did three quarters (73%) of black voters. Nearly six in ten (58%) of those describing themselves as Christian voted to leave while seven in ten Muslims voted Remain. However, some migrants from the Commonwealth who voted Leave did so because they wanted a fairer system of migration that did not give preferential treatment to East Europeans over people from their own countries (Parveen 2016).

Brexit unveiled fault lines in the fractured face of class divisions in the UK. It revealed unexpected alliances of shared opinion mobilised around an over simplified and highly emotional in-out choice. It cut across business elites (Morgan *this volume*), regional economies (Froud et al. *this volume*), local and cosmopolitan identities (Grey *this volume*); and employment statuses (Warhurst *this volume*).

## Political Fault lines

But these fault lines amongst voters are not limited to the UK. ‘Soft’ and ‘hard’ forms of Euroscepticism range from disenchantment with the European project to outright opposition (Szczerbiak and Taggart’s (2008a and b). Political contagion from Brexit has yet to be felt in the extent to which it will bolster right-wing populist movements across Europe (Stokes et al. 2016; Emmerson et al. 2016; Rona-Tas *this volume*). The evidence to date has been mixed. The Spanish elections in June resulted in a hung parliament and disappointing support for the anti-austerity Podemos; the right-wing Alternative for Germany (AfD) delivered a stinging defeat to Merkel in local elections in September; but Viktor Orbán’s October referendum opposing EU refugee quotas was humiliatingly boycotted by Hungarian voters with less than a 50 per cent turnout (Economist 2016b). There has been a significant and visible rise in the radical right in many of these countries (Economist 2016a; Le Galès and Rona-Tas *this volume*), but recent evidence indicates that there is also considerable support for the EU from Polish and Hungarian voters, while Greek, French and Spanish voters are less favourably disposed (Stokes 2016).

There has been a growing level of dissatisfaction with the handling of the economic and the migrant crisis, and limited support for a closer union (Frerichs and Sankari *this volume*). There is evidence of a growing inward looking public opinion focused on domestic issues especially from those on the political right (Stokes et al. 2016). Although many also want the EU to play a more active international role in the future, this internationalist stance has the strongest support in Germany and Sweden. In contrast the French are more despondent, as their international position has declined.

This perception of the effect of changing international status is also echoed in Grob-Fitzgibbon’s (2016) analysis of the UK. He argues that the un-reconciled longings for the loss of Empire and post-imperial nostalgia are where we find the roots of Euroscepticism in Britain. Nearly half (49%) of Leave voters said the main reason for their choice was about sovereignty: “*the principle that decisions about the UK should be taken in the UK*”. One third (33%) said that leaving “*offered the best chance for the UK to regain control over immigration and its own borders.*” Leavers saw more threats than opportunities to their standard of living from the way the economy and society are changing – and they felt that opportunities for their children had deteriorated. Leave voters were more likely than

Remain voters to see multiculturalism, feminism, the Green movement, globalisation and immigration as forces for ill (Lord Ashcroft 2016).

Polanyi outlined in the Great Transformation how the destructive forces of laissez faire liberalism encountered a counter reaction from unions and socialist parties to protect vulnerable groups from the potentially destructive outcomes of markets. We are currently at a point of rapid transformation where multi-dimensional crises challenge the post-war neo-liberal economic order; these challenges emerge from changing labor markets, welfare states and financial markets reforms (Colin and Palier 2015). As traditional political affiliations are weakening, the distinction between left and right becomes increasingly blurred and the legitimacy of political institutions and parties is being questioned. The attitude of Leave voters and the strapline on their campaign 'take back control' clearly reflects an anxiety with the rapid transformations changing the complexion and structure of society. The Leave vote was not just a protest against the political establishment in Westminster and Brussels, but also a naïve desire to re-establish some form of 'protective' control. This could be interpreted as reflecting the sentiment associated with the double movement (Polanyi (1957 [1944] 2001), but as Stiglitz argues in his forward to *The Great Transformation*: "*rapid transformation destroys old coping mechanisms, old safety nets, while it creates a new set of demands, before new coping mechanisms are developed.*" (p.xi). The Brexit vote unveiled how these new coping mechanisms are currently missing.

## **Discussion Forum**

This Discussion Forum emanates from a spontaneous seminar organised at the SASE conference in Berkeley on the 25<sup>th</sup> June, followed by a call for contributions in the journal. The papers here draw attention to the fractured nature of business elites (Morgan), elite incompetence (Wood and Wright), and divisions between locals and cosmopolitans (Grey). Differential regional economic performance (Froud et al.) and how the growth of poor quality jobs have contributed to the frustration expressed in the Brexit vote (Warhurst). The impact of migration and welfare rights reforms to create a more closely bound solidaristic EU (Frerichs and Sankari) contribute to some of the growing economic inequalities that found expression in the Brexit vote, alongside the tradition of British exceptionalism in the EU (Le Galès). The tensions created by globalization and democracy in other parts of Europe are explored by Rona-Tas, with a final prediction of a dark radical uncertainty in the face of

dysfunctional economic policy, with the domination of competition over solidarity and the failures around the refugee crisis from Boyer. The Brexit referendum exposed multiple fault lines in the UK. It brought to the surface and gave a public platform and voice to divisions that were deeply embedded, sometimes illogical, but until now had either been ignored or hushed out of 'respectable' public debate. The 'unprecedented geo-political shift' (BBC 2016b) resulting from Brexit reflects deeper fault lines beyond the UK.

2344 words

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## The overall result

Leave polled the most strongly in 270 counting areas, with Remain coming first in 129.

Key: ■ Majority leave ■ Majority remain ■ Tie ■ Undeclared

